

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 SPC-03 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-03 USIA-15 PRS-01 DRC-01 /152 W

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P 141330Z SEP 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 3590

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E.O. 11652: GDS

TAGS: ECON, ESTC, AR, CU, US

SUBJ: TRADE WITH CUBA BY US FIRMS IN ARGENTINA

REF: A) BA-6402; B) BA-6106; C) BA-5884; D) STATE 117307

1. SUMMARY. THERE ARE NEW SPECIFIC INSTANCES OF US SUBSIDIARIES COMING UNDER PRESSURE TO MAKE SALES TO CUBAN PURCHASERS UNDER ARGENTINA'S RECENT EXTENSION OF CREDIT TO THAT COUNTRY. DETAILS PROVIDED HEREIN. SUBSTANTIAL US INTERESTS APPEAR INVOLVED AND ON INCREASE. DEPARTMENT'S FURTHER COMMENTS, AMPLIFYING REF (D), REQUESTED. END SUMMARY.

2. AS DEPARTMENT AWARE, SINCE THE EXTENSION BY ARGENTINA OF 200 MILLION DOLLAR LINE OF CREDIT TO CUBA WAS ANNOUNCED IN EARLY AUGUST, EXECUTIVES OF SUBSIDIARY US FIRMS IN ARGENTINA HAVE BEEN CONSULTING EMBASSY CONCERNING POSSIBLE IMPACT ON THEIR OPERATIONS. EMBASSY HAS BEEN PROVIDING, ON SELECTED BASIS, GENERAL GUIDANCE BASED ON CONTENT REF (D). WE ARE NOW AWARE OF THREE SPECIFIC CASES, WHICH VARY IN THEIR DETAIL, SHOWING STEPPED UP PRESSURES RESULTING FROM GOA OFFICIALS' SUGGESTIONS OR REMARKS AND THE FEARS OF THE COMPANIES' EXECUTIVES THAT THEIR FIRMS MIGHT FIND THEIR IMAGE AND INTERESTS DAMAGED. WE UNDERSTAND THAT THE FIRMS INVOLVED HAVE OR ARE ABOUT TO APPROACH DEPARTMENT, NSC AND TREAS-

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UFY OFFICIALS TO EXPLAIN THEIR PROBLEMS AND INQUIRE CONCERNING

THE APPLICABILITY OF EXISTING US LAWS OR THE POSSIBILITY OF SECURING WAIVERS ENABLING THEM TO DEAL WITH THE CUBAN PURCHASING COMMISSION NOW IN ARGENTINA. WE EXPECT CASES SUCH AS THESE TO MULTIPLY FOR WE HAVE BEEN INFORMED THAT THE CONSEJO GENERAL ECONOMICO (CGE) IS NOW CALLING VARIOUS FIRMS, INCLUDING US SUBSIDIARIES, AND SEEKING TO MAKE ARRANGEMENTS FOR THE CUBAN PURCHASING GROUP TO VISIT PRODUCTION FACILITIES.

3. ALL US AUTO FIRMS HAVE RECEIVED APPROACHES INDICATING CUBAN OFFICIALS, NOW STATIONED IN ARGENTINA AND ATTACHED TO THEIR NEW EMBASSY HERE, DESIRE TO PURCHASE AUTOS FOR PERSONAL AND OFFICIAL USE. GENERAL MOTORS ARGENTINA HAS SPECIFIC ORDERS FOR SUCH AUTOS. ALL OF THE AMERICAN AUTO FIRMS FEAR THAT REFUSAL TO SELL TO THE CUBAN DIPLOMATS IN ARGENTINA WILL DAMAGE THEIR IMAGE WITH THE GOA AND MAY MAKE THEM SUBJECT TO SOME TYPE OF REPRISAL. IN ADDITION, THE LAWYERS OF GENERAL MOTORS ARGENTINA HAVE INDICATED TO THE MANAGEMENT THAT AN ARGENTINE LAW (NO 20.125 PUBLISHED 2/6/73) MAY BE VIOLATED BY REFUSAL TO SELL UPON BONAFIDE REQUEST FROM THE CUBAN EMBASSY. THIS LAW WAS ORIGINALLY INTENDED TO ASSIST IN IMPLEMENTING PRICE CONTROL LEGISLATION BY MAKING ILLEGAL ANY REFUSAL TO SELL WHICH HAD THE EFFECT OF PUSHING UP PRICES. GENERAL MOTORS' LAWYERS, HOWEVER, BELIEVE AN OFFICIAL GOA AGENCY COULD INTERPRET AND SO USE THE LAW AS TO CAUSE GM OR ANY OTHER AUTO FIRM SUBSTANTIAL EMBARRASSMENT AND LEGAL DIFFICULTIES IN CONNECTION WITH PURCHASE REQUESTS FROM THE CUBAN EMBASSY. IF IT IS POSSIBLE FOR US AUTHORITIES TO DO SO, THIS EMBASSY BELIEVES THAT GENERAL MOTORS, FORD AND CHRYSLER SHOULD BE NOTIFIED THAT THEIR SUBSIDIARIES IN ARGENTINA MAY HANDLE THE REQUESTS FOR AUTOS TO BE USED BY THE CUBAN EMBASSY AND ITS PERSONNEL IN THE SAME WAY AS ORDERS FROM OTHER DIPLOMATIC MISSIONS IN BUENOS AIRES ARE HANDLED. THE MONEY STAKES IN THIS ISSUE, AND, THE DEGREE OF ASSISTANCE PROVIDED THE GOA THROUGH SUCH SALES, IS MINIMAL COMPARED WITH THE POSSIBLE DAMAGE TO THE IMAGE OF THE US SUBSIDIARIES INVOLVED IF HOSTILE ELEMENTS SEEK TO TURN SUCH A SITUATION AGAINST THE US POSITION AND THE FIRMS INVOLVED.

4. THE MANAGER (SPANISH NATIONAL) OF EXIMA INDUSTRIAS CLARK ARGENTINA, WHICH IS A NEARLY WHOLLY OWNED SUBSIDIARY OF THE CLARK EQUIPMENT COMPANY, HAS VISITED THE EMBASSY TWICE IN THE PAST TWO WEEKS TO SEEK ADVICE ON HANDLING REQUESTS FOR EQUIPMENT

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BY THE CUBAN PURCHASING MISSION. THE SUBSIDIARY HAS TWO NON-RESIDENT US CITIZENS ON ITS BOARD OF EIGHT. THE OTHER SIX ARE NON-US CITIZENS, ARGENTINE OR THIRD COUNTRY, AND RESIDE IN ARGENTINA. ALL THE MANAGEMENT AND STAFF ARE NON-US. THE SUBSIDIARY MAKES FORK-LIFT TRUCKS WHICH CONTAIN BETWEEN 20 AND 25 PERCENT PARTS IMPORTED FROM THE US AND ALSO FRONT-END-LOADERS CONTAINING ABOUT 5 PER CENT US PARTS WITH SOME 20 PER CENT FROM THE UK AND 75 PER CENT ARGENTINE MADE. A MEMBER OF THE CUBAN PURCHASING

MISSION HAS VISITED THE PLANT NEAR BUENOS AIRES AND EVIDENCED
STRONG INTEREST IN THE PURCHASE OF PRODUCTS
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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 SPC-03 AID-20 NSC-10

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CIAE-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-03 USIA-15 PRS-01 DRC-01 /152 W
----- 094362

P 141330Z SEP 73
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC PRIORITY 3591

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6. EMBOFFS HAVE ENCOURAGED US FIRMS TO TAKE AS PASSIVE A POSITION AS POSSIBLE, CAUTIONED THE FIRMS ON US EXPORT CONTROL REGULATIONS AND ASSURED THEM THAT WASHINGTON AUTHORITIES ARE BEING INFORMED OF THE CIRCUMSTANCES AS FULLY AS POSSIBLE. WE HAVE INDICATED WE DO NOT HAVE AUTHORITY TO EXCUSE THEM FROM ANY REGULATIONS AND ENCOURAGE THEM TO CONSULT THEIR HOME OFFICES, WHICH SHOULD IN TURN SEEK GUIDANCE FROM WASHINGTON AGENCIES, INDICATING THAT OUR OWN ASSESSMENT OF THE SITUATION WOULD BE PROVIDED TO THE DEPARTMENT.

7. EMBASSY EXPECTS THAT THE NUMBER OF AMERICAN FIRMS AND THEIR SUBSIDIARIES WHICH WILL BE DRAWN INTO THE QUESTION OF WHO SHALL PARTICIPATE IN EXPORTS TO CUBA WILL MOUNT. WE EXPECT THAT PRESSURE ON THE PART OF THE GOA WILL INCREASE AND WILL BE MOST ACUTE ON THOSE FIRMS WHICH ARE NOT ALREADY OPERATING AT RECORD OR NEAR RECORD LEVELS. THERE ARE STRONG ULTRANATIONALIST AND ANTI-YANKEE GROUPINGS, BOTH IN AND OUT OF GOVERNMENT, THAT CAN BE EXPECTED FAN THE FLAMES OF AN ISSUE WHICH CAN BE SO CLEARLY IDENTIFIED AS AN EXAMPLE OF "MULTINATIONAL US FIRMS MAKING DECISIONS WHICH TEND TO DAMAGE ARGENTINE ECONOMIC INTERESTS AND FRUSTRATE ITS POLITICAL WILL".

8. BEYOND THE GENERAL STATUS OF BILATERAL RELATIONS WHICH COULD SUFFER SUBSTANTIAL DETERIORATION IF US FIRM SUBSIDIARIES IN
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ARGENTINA REMAIN DEBARRED FROM PARTICIPATION IN THE AGREEMENT WITH CUBA, THE STAKES INVOLVING US INVESTMENT ARE POTENTIALLY QUITE LARGE. THE FIRMS ALREADY TOUCHED BY THIS PROBLEM, REPRESENT SOMETHING ON THE ORDER OF 25 PERCENT (NEAR U\$S 300 MILLION) OF ALL US DIRECT INVESTMENT IN ARGENTINA. WE EXPECT THAT THIS WILL GROW. IN ANY CASE, IF ANY SUBSTANTIAL GROUP OF AMERICAN SUBSIDIARIES ARE TAGGED AS HAVING REFUSED TO COOPERATE IN ARGENTINE-CUBAN TRADE, THE IMPACT ON THE REMAINDER OF US INVESTMENT CAN ONLY BE ADVERSE EVEN THOUGH IT SUFFERS LESS DAMAGE. THE TIMING IS POOR BECAUSE THERE IS A WAVE OF SENTIMENT SWEEPING THE ARGENTINE MASSES THAT IS CHARGING US WITH MUCH RESPONSIBILITY FOR RECENT DEVELOPMENTS IN CHILE. THE GOA CAN, IF IT WISHES, MOBILIZE ANTI-AMERICANISM AROUND ACTIONS APPEARING TO FRUSTRATE OR INHIBIT ITS EXPORT DRIVE AND WE BELIEVE THAT IT WOULD DO SO. THE USG IS FACED WITH THE NEED FOR SOME PROMPT DECISIONS CONCERNING WHETHER A DETERIORATION OF RELATIONS WITH ARGENTINA IS JUSTIFIED BY A FULL APPLICATION OF EXPORT CONTROLS ON THE CUBAN EMBARGO. THE EMBASSY WILL CONTINUE TO REPORT PROMPTLY ON RELATED DEVELOPMENTS. EMBASSY WILL APPRECIATE FURTHER COMMENTS ON SUBJECT AND ALL INFORMATION CONCERNING DECISIONS TAKEN IN WASHINGTON WHICH BEAR UPON PROBLEM.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 14 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BUENOS06775
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS LODGE
Errors: N/A
Film Number: n/a
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730935/aaaaazkq.tel
Line Count: 192
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A) BA-6402; B) BA-6106; C) BA-5884;; D) STATE 117307
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 15 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Jan-2002 by martinjw>; APPROVED <06-Feb-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TRADE WITH CUBA BY US FIRMS IN ARGENTINA
TAGS: ECON, ESTC, AR, CU, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005